

Treasury Department,

Bureau of the Mint,

Washington, D. C.,

December 27, 1899

Mr. W. M. Hunter,

Zanesville, Ohio.

Sir:-

I have your letter of December 17th, received at this office in my absence, in which you say that you "should think if Congress has the power to make 412½ grains of government bullion, silver, into a dollar to pass equally with gold as a dollar, that they could do likewise with all the silver mined." You ask me to state why not.

The power to issue coin and keep it in circulation at a value above its bullion value, like the power to issue bonds and to maintain them at par, depends upon the extent to which the government attempts to exercise it. It has been demonstrated that the government can sell a three percent. bond at par or above but that does not signify that it can sell an unlimited number of such bonds and have them remain at par or above. The quantity which it can keep above par depends upon the popular belief in the ability of the government to raise by taxation sufficient money to pay the interest on such bonds and their principal when it comes due. It also depends in some degree upon the number of people who desire to invest money at as low a rate of interest as three percent. If the ordinary expenses of the government were to

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rapidly increase and if the country should be ^{so} unfortunate as to experience a long period of hard times and the revenues of the government should fall continuously below its expenditures, as has frequently been the case with certain foreign nations, and the interest on the bonds be in default they would fall below par. Or, if the bond issue should be so large as to supply all that class of people who are ready to invest money at three percent. and there was still a surplus of the bonds untaken, they would of course go begging on the market and fall below par.

The government purchased the bullion for our present issue of silver dollars at its market price, manufactured it into coin and paid it out at its face value, which was considerably above the cost of the bullion. This coin answers for our people, every purpose of money within certain limits. The government receives it at its face value for all taxes and dues. As these amount to something over \$500,000,000 per year, it is apparent that this in itself amounts to redemption on a large scale. They are received by the average business man at their face value because he can deposit them in a bank where he does business and receive credit at their face value. A bank in the interior receives them at their face value because it can use them in making remittances to the banks in the business centres at their face value. The banks in New York city receive them on the same terms because they can be

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used in making the heavy internal revenue and custom payments to the government which are made in New York city.

There is a class of payments, however, for which these dollars are not good. Our foreign trade amounts to approximately 2,000,000,000 dollars per year. Our silver coin cannot be used in these payments. Our gold coin is the only kind of money that can be sent abroad and there melted down and recoinced into the money of foreign countries without loss. Consequently ~~our~~ gold must be used for all foreign payments. In order to float our silver and paper at par with gold it is absolutely necessary that whenever a merchant or banker desires gold coin for his foreign payments he shall be able to obtain it in exchange for his paper and silver without the payment of a premium. The moment a premium is required to obtain gold the parity of our monies is destroyed. The silver dollar would then be at a discount and everyone who received silver for his wages or any of his dues would find himself obliged to suffer a discount upon it in all purchases which he desired to make. Just as our paper money suffered a discount from gold during the War period. When you appreciate the necessity of using gold for all our foreign trade and of supplying gold to all who have foreign payments to make, I think you will comprehend how impossible it would be to maintain the value of all the silver mined in the World at a fictitious value. It can carry a limited quantity such as it now has in the circulation of the country because the proportion it bears to the gold stock of the country is not

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excessive. There is a sufficient supply of gold in the Treasury in the banks and in circulation so that those who are obliged to use the gold coin readily obtain it without giving a premium for it, but the moment it should appear probable that the stock of silver would be largely increased and a fear or suspicion should arise in the minds of the public as to the ability or purpose of this government to maintain the parity between our silver and gold coins, that moment the possessors of gold coin would refuse to part with it and would hoard it for a premium. We had an object lesson of this in 1896 when the question of the free coinage of silver was pending before the people for their decision. Gold coin practically passed from circulation. It did not go to a premium because under the circumstances no one would give a premium for it, having faith that the American people would stand by the pledge of Congress and the past policy of the government to maintain the parity of all its money, but for the time being gold passed out of circulation and was hoarded awaiting the result of the election.

In this connection I would call your attention to the fact that under the policy of free coinage the government would in no way be committed or obligated to the maintenance of the parity between the metals. Under free coinage the government would not become the owner of silver at all. It would simply receive 412½ grains of silver from any depositor, stamp the word "dollar" upon it and return the coin to him. It would do this for all the silver that might be presented to it but would give no guaranty that the "

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"dollars" thus coined would remain at par with the gold coins of the country or would buy any particular quantity of any commodity. They would doubtless be a legal tender for debts already contracted but when the owner came to make purchases in the open market he would find that their purchasing power was simply the purchasing power of so much silver bullion.

Respectfully,



Director of the Mint.

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Respectfully,
[Signature] Geo E. Roberts,
Director of the Mint.